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CHAPTER 1: OVERVIEW PPS FOR SWING BED FACILITIES

OBJECTIVE

This chapter provides participants with an overview of the way in which the skilled nursing facility prospective payment system (SNF PPS) will be applied to SNF-level services furnished in swing bed hospitals. It also introduces terminology and concepts that will facilitate a better understanding of the detailed discussion in later chapters.

BACKGROUND

Skilled Nursing Facility PPS (SNF PPS)

SNF PPS is Based on Differences in Patient Characteristics Resulting in Different Levels of Resource Utilization

- Uses a case-mix system to determine payment level
- Based on mean SNF costs in a base year

The SNF PPS is an outgrowth of substantial research efforts beginning in the 1970s. It is based on the recognition that differences in patient characteristics result in different levels of resource utilization. Unlike some older payment methodologies that paid a flat per diem amount, a case-mix system measures the intensity of care and services required for each patient and then translates that into a payment level.

Under the SNF PPS, payment rates are based on mean SNF costs in a base year, updated for inflation. For the SNF PPS, a sophisticated patient classification system was developed that specifically captured resource use of individuals receiving SNF-level care. This system is now being applied to SNF-level services furnished in a swing bed hospital.

RUG-III

- 44-group patient classification system
- Establishes a hierarchy of major patient types
- Differences shown by assigning a weight or case mix

The Resource Utilization Group, version 3 (RUG-III) is a 44-group patient classification system that was designed specifically to measure SNF-level services. RUG-III establishes a hierarchy of major patient types, organized into seven major categories. Each of these categories is further differentiated by patient characteristics and service needs to yield the 44 specific patient groups used for payment.

Differences in service use are shown by assigning a weight or case mix index to each RUG-III group. This weight represents the amount of nursing and rehabilitation staff time, weighted by salary level, and is standardized to reflect the relative value of each group within the 44-group system.

MDS 2.0

- Resident assessment instrument for care planning, quality monitoring, and SNF PPS payment

All data needed to classify a Medicare beneficiary into one of the RUG-III groups is contained in the *MDS For Swing Bed Hospitals*. The SB-MDS is a subset of the MDS 2.0 used by SNFs for care planning, quality monitoring, and SNF PPS payment.

MDS Transmissions:

- Facility to CMS national database
- Confirmation must be received prior to billing FI

Swing bed facilities subject to the SNF PPS must perform periodic SB-MDS assessments for Medicare beneficiaries in Part A stays. Facilities will then generate electronic SB-MDS records, and transmit the assessment records to a CMS national database.

Under SNF PPS, swing bed providers must transmit their SB-MDS and receive confirmation that the SB-MDS record has been accepted before submitting a bill to the Part A FI.

SNF PPS Rate Components

Rate Components:

- Nursing
- Therapy
- Non-case-mix therapy
- Non-case-mix

Swing Bed Providers Will Be Required to Complete SB-MDS Assessments

The nursing component of the SNF PPS includes direct nursing care and the cost of non-therapy ancillary services required by Medicare beneficiaries. This portion of the rate is case-mix adjusted using the RUG-III classification system and the hospital's wage index.

The therapy component includes physical, occupational, and speech-language therapy services provided to beneficiaries in a Part A stay and, like the nursing component, is case-mix adjusted. Payment varies based on the actual therapy resource minutes received by the beneficiary and reported on the SB-MDS assessment instrument.

The non-case-mix therapy component is a standard amount to cover the cost of therapy assessments of beneficiaries who were determined not to need continued therapy services. This payment is added to the rate for all RUG-III groups except those in the Rehabilitation category.

The non-case-mix component is also a standard amount added to the rate for each RUG-III group to cover administrative and capital-related costs.

The RUG-III system utilizes data from the MDS to determine the appropriate payment level for nursing and therapy services. Upon transition to PPS, swing bed providers will be required to complete SB-MDS assessments according to the same Medicare payment assessment schedule designated for SNFs.

In addition, the portion of the Federal rate attributable to wage-related costs is adjusted by a wage index.

IMPLEMENTATION OF THE SNF PPS FOR SWING BED FACILITIES

BBA-97

BBA-97

- SNF services furnished by swing bed hospitals included in the SNF PPS no later than the end of transition period
- Effective for cost reporting periods beginning on and after July 1, 2002

Section 4432 of the Balanced Budget Act of 1997 provided for the implementation of a per diem PPS for SNFs, covering all costs (routine, ancillary and capital) of covered SNF-level services furnished to beneficiaries under Part A of the Medicare program, effective for cost reporting periods beginning on or after July 1, 1998. This section also required that SNF-level services furnished by swing bed hospitals be included in the SNF prospective payment system no later than the end of the SNF PPS transition period.

The final rule published in the *July 31, 2001 Federal Register* implements SNF PPS for swing bed hospitals effective for cost reporting periods beginning on and after July 1, 2002.

BIPA

CAHs Are to be Paid for Swing Bed SNF-level Services on a Reasonable Cost Basis

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA) of 2000 (BIPA) exempts swing beds in Critical Access Hospitals (CAHs) from the SNF PPS. CAHs are to be paid for their swing bed SNF-level services on a reasonable cost basis. This provision is effective with cost reporting periods beginning on or after December 21, 2000.

Consolidated Billing

Swing Bed Services Not Subject to Same Consolidated Billing Requirements as SNFs

- Similar to bundling requirement for services furnished to hospital inpatients
- Except SNF PPS-excluded services can be billed separately using the hospital provider number

Under section 1888(e)(7) of the Act, swing bed providers (other than CAHs) would be subject to the SNF PPS by the end of the SNF PPS transition period described in section 1888(e)(2)(E) of the Act. However, swing bed services are not subject to the same consolidated billing requirements for services furnished to SNF residents under section 1862(a)(18) of the Act.

Swing bed hospitals are subject to the bundling requirements for services furnished to hospital inpatients under section 1862(a)(14) of the Act, with the following exceptions:

- The costs of certain Part A-covered services which are not included in the SNF PPS rate and
- Swing bed hospitals may separately bill any covered services excluded under the SNF PPS Consolidated Billing provisions. (These services must be billed by the swing bed hospital using the hospital provider number.)